

SENATE BILL 3108
By Kyle

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 4, relative to a credit against franchise and excise tax for qualified research expenses.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2009, is amended by adding the following new subdivision:

(10)

(A) There shall be allowed as a credit against the sum total of the taxes imposed by this part and by part 21 of this chapter an amount equal to one percent (1%) of the amount spent by the taxpayer during any tax period on qualified research expenses which are conducted in this state.

(B) For purposes of this section, the following definitions shall apply:

(i) "In-house research expenses" means any wages paid or incurred to an employee for qualified services performed by such employee and any amount paid or incurred for supplies used in the conduct of qualified research.

(ii) "Qualified research" means research performed in Tennessee which is undertaken for the purpose of discovering information which is technological in nature and the application of which is intended to be useful in the development of a new or improved business component. Qualified research shall not include research after commercial production, duplication of existing business components, surveys, studies, computer software, social sciences, or federally or state funded research.

(iii) "Qualified research expenses" means any in-house research expenses paid or incurred by the taxpayer during any tax period in carrying on any qualified research.

(iv) "Qualified services" means services consisting of engaging in qualified research or engaging in the direct supervision or direct support of research activities which constitute qualified research.

(v) "Supplies" means any tangible property other than land, improvements to land, or property of a character subject to the allowance for depreciation.

(vi) "Wages" has the meaning as defined in Internal Revenue Code Section 3401(a).

(C) The credit taken on any return shall be after all other credits allowed under §§ 67-4-2009 and 67-4-2109.

(D) Any unused credit may be carried forward in any tax period until such credit is taken; however, such credit may not be carried forward for more than fifteen (15) years.

SECTION 2. This act shall take effect upon becoming a law and apply to tax periods beginning on or after July 1, 2004, the public welfare requiring it.